MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2021/2022

BBF2644 – BANK MANAGEMENT

(All sections/Groups)

3 DECEMBER 2021
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **TWO (2)** pages with **FOUR (4)** questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

(a) Discuss the important effects on the Malaysian banking industry in the wake of the COVID-19 pandemic. Relate your discussion with the Ministry of Finance recent Bank Negara Malaysia policy. (13 marks)

(b) To what extent is the aftermath of *loan growth, liquidity, earning, and capital* during this pandemic period? (12 marks)

(Total: 25 marks)

QUESTION 2

(a) Why regulation often unpleasant to the bankers and equity holders? What is regulatory dialectic and discuss how it has been most commonly occurring in the banking industry? (8 marks)

(b) Discuss why do the risks for banking institutions matter? (9 marks)

(c) RHB Bank is determining the capital adequacy ratios for its year-end reports in 2021. At the year end, RHB Bank's total assets are RM115 million and its total risk-weighted assets including financial derivative items are RM55 million. Supposed the Tier 1 capital items sum to RM2.8 million, while Tier 2 capital items total RM1.25 million. Calculate the core capital-to-total risk-weighted assets, and total capital-to-total risk-weighted assets. Is RHB Bank subject to the BASEL III regulatory restrictions given its capital adequacy category? (8 marks)

(Total: 25 marks)

QUESTION 3

(a) Public Bank make a sound financial performance in this year, board management has distributed an annual dividend of RM2.50 per share to their shareholders. The dividends are expected to constantly grow 3 percent a year every year, and the minimum required return-to-equity capital based on the bank's perceived level of risk is 8 percent. What is the maximum value of the Public Bank's stock in two years later? (7 marks)

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(b) Maybank Berhad has recorded the following financial data for the year 2021:

Assets	**RM**	**Interest Rate**	**Liabilities & Equity**	**RM**	**Interest Rate**
Malaysian Treasury bills	3600	7%	Repurchase agreement	2300	9%
Real estate loan at fixed rate	1800	9%	Fixed deposit account	1900	7%
Reserves at central bank	400		Stockholders' Equity capital	1600	
Total	5,800			5,800	

(i) What has been happening to the Maybank Berhad net interest income and net interest margin if interest rate and portfolio composition remain constant during the year 2021? (6 marks)

(ii) What change should occur in the net interest income and net interest margin if the entire yield curve increased by 1.5 percent during the year? (6 marks)

(c) As a banker, how could you advise the top management when the balance sheet statement showed the allowance for loan loss account has been declining? (6 marks)

(Total: 25 marks)

QUESTION 4

(a) Assume a zero coupon bond with a par value of RM20,000 is currently selling for RM2,566.77. Consider this bond held by a bank that carries a maturity of 35 years. Using the bond's modified duration, what is the approximate change in the price of the bond if interest rates rise by 15 basis points? (8 marks)

(b) How do loan covenants help a bank control its exposure on credit risk? In what way does the negative covenant affect the borrowers in the corporate loan agreement? (8 marks)

(c) Discuss how does the BASEL III regulatory framework affect the Malaysian banks? (9 marks)

(Total: 25 marks)

End of Paper